



SACHI A. HAMAI
Interim Chief Executive Officer

County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
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"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
HILDA L. SOLIS
First District

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Fifth District

May 05, 2015


The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

13 May 5, 2015


PATRICK OGAWA
ACTING EXECUTIVE OFFICER

**APPROVE AMENDMENT TWO TO CONTRACT NO. 77737 TO INCREASE FUNDING FOR THE
WORKERS' COMPENSATION CLAIMS ADMINISTRATION SYSTEM
AND CHANGE THE CONTRACTOR'S LEGAL NAME
(ALL DISTRICTS – 3 VOTES)**

**CIO RECOMMENDATION: APPROVE (X) APPROVE WITH MODIFICATION ()
DISAPPROVE ()**

SUBJECT

This recommendation by the Chief Executive Office (CEO) seeks the Board's approval to execute Amendment Two to Contract No. 77737 with P&C Insurance System, Inc., previously known as P&C Claims, Incorporated, to change the Contractor's legal name and for software maintenance and application hosting services of the Workers' Compensation Claims Administration System (System).

IT IS RECOMMENDED THAT THE BOARD:

Approve and instruct the Interim CEO, or her designee, to execute Amendment Two, substantially similar to Exhibit I (Attachment II), to change the Contractor name P&C Claims, Inc. (P&C), to P&C Insurance Systems, Inc. (PCIS).

Approve and instruct the Interim CEO, or her designee, to amend Contract No. 77737, to increase the Maximum Contract Sum by \$400,000 for a total Contract authority of \$3,285,232.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow for the operating subsidiary, P&C, who consolidated into their parent company PCIS, to continue the provision of necessary System services under PCIS.

The second recommendation will allow for the customization of the System in order to interface with other County of Los Angeles (County) systems, and the modifications required due to statutory and technical requirements for the seamless continuation of the System's transition and updates.

On February 28, 2012, the Board approved the recommendation to execute a sole source contract with P&C for software maintenance and application hosting services. As part of the Contract, P&C was to engage in a system conversion to upgrade and replace the existing Genlris platform to ClaimsVision. At that time, both County and P&C anticipated that such conversion would not require significant software modifications so the funding for optional work was not requested. The additional funding is required to cover costs of unanticipated system modifications to allow for interface of the System with other County databases, including the Auditor-Controller's eCAPS financial system, and implement changes to the County's Workers' Compensation claims administration program as a result of legally, mandated, and technical requirements.

Currently, 300 users, including the County Workers' Compensation Third-Party Administrators (TPAs), medical management and cost containment contractors, short- and long-term disability benefits TPAs, CEO Risk Management Branch, County Counsel, and other County department staff depend on the System to manage the County Workers' Compensation claims administration program, process indemnity payments to injured employees, issue medical payments to healthcare and ancillary service providers, generate State-mandated benefit notices, and issue State and Federal required reports. The upgraded System must be fully functional and integrated with the Auditor-Controller's eCAPS financial system in order to process payments on a timely basis. Failure to do so, will subject the County to costly penalties by the State and potential loss of the ability to self-insure its liability.

Implementation of Strategic Plan Goals

The services provided under this Contract support the County's Strategic Plan Goal One, Operational Effectiveness/Fiscal Sustainability, by providing a centralized claim and litigation database that the CEO, County Counsel, County departments, and County's TPAs utilize to improve the effectiveness of Countywide risk management and litigation activities.

FISCAL IMPACT/FINANCING

The Contract is currently in the first of three one-year option years. The maximum cost for option years one through three will not exceed \$1,765,548. In Fiscal Year (FY) 2014-15, the CEO expended \$378,188 for System maintenance and hosting. Funding for this Amendment is included in the Workers' Compensation Budget for FY 2015-16.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On February 28, 2012, the Board approved a sole source contract with P&C for application hosting and maintenance services to support and upgrade the System and correct the database. In 2013, P&C entered into an Agreement of Merger with PCIS and the name of the Contractor was changed

to PCIS. The base term of this Contract expired on February 28, 2015. Amendment One, executed on January 22, 2015, extended the term of the Contract through February 28, 2016.

The System is currently undergoing conversion from the old GenIris platform to ClaimsVision. Data migration to the new System is complete. Currently, CEO staff is performing vendor mapping simulation analysis to ensure the ClaimsVision and eCAPS vendor interface is robust. The County acceptance of the System, and the go-live date has not been set pending the completion of additional work, which cannot be accomplished unless the funding for this Contract is increased. An increase of \$400,000 for additional work will allow for the following:

Additional customizations for system interfaces to and from County's financial system;

Additional customizations to enhance the fiscal auditing capability;

Increased automation of the multiple interfaces required by the Workers' Compensation program, including the Medicare mainframe data conversion; and

Development of a paperless environment for claims administration.

In 2013, CEO Risk Management Branch analyzed claims management and risk information needs across all its functional areas (Workers' Compensation, general liability, auto liability, small claims, and disability management). The completed analysis included results from a Request for Information (RFI) released on July 15, 2013, which resulted in a number of viable responses indicating the ability to enhance the County's claims management functions across all functional areas. Accordingly, CEO Risk Management Branch plans to issue a single Request for Proposals (RFP) later in 2015 to include comprehensive claims management functions across all functional areas, including Workers' Compensation and liability claims.

The Chief Information Officer (CIO) has reviewed this request and recommends approval. The CIO Analysis is attached (Attachment I). County Counsel reviewed and approved Exhibit I as to form (Attachment II).

CONTRACTING PROCESS

On February 28, 2012, the Board approved the execution of a sole source contract with P&C for application hosting and maintenance services to support the System effective March 1, 2012 through February 28, 2015, for a total maximum contract sum not to exceed \$1,519,684. The Board directed the CEO to initiate an RFP for a new Workers' Compensation claims administration system and report back beginning in July 2012, and every six (6) months thereafter on the status of the RFP development and conversion of the System to a modern database system with improved functionality. The CEO will provide its next update to the Board in July 2015.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

Approval of funding increase for optional work will enable PCIS to complete the conversion of the System to ClaimsVision and allow for testing of the new Risk Management Information System.

CONCLUSION

Upon approval by the Board, please return two signed originals of the Amendment and one adopted copy of this letter to the CEO Risk Management Branch, attention Steven T. Robles, County Risk Manager.


Respectfully submitted,



SACHI A. HAMAI

Interim Chief Executive Officer

Reviewed by:



RICHARD SANCHEZ

Chief Information Officer

SAH:JJ

STR:RLC:KSJ:tv

Enclosures

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel





RICHARD SANCHEZ
CHIEF INFORMATION OFFICER

Office of the CIO CIO Analysis

NUMBER:

CA 15-05

DATE:

4/28/2015

SUBJECT:

APPROVE AMENDMENT TWO TO CONTRACT NO. 77737 TO INCREASE FUNDING FOR THE WORKERS' COMPENSATION CLAIMS ADMINISTRATION SYSTEM AND CHANGE THE CONTRACTOR'S LEGAL NAME

RECOMMENDATION:

☒ Approve

☐ Approve with Modification

☐ Disapprove

CONTRACT TYPE:

☐ New Contract

☐ Sole Source

☒ Amendment to Contract #: 77737

☐ Other: Describe contract type.

CONTRACT COMPONENTS:

☐ Software

☐ Hardware

☐ Telecommunications

☒ Professional Services

SUMMARY:

Department Executive Sponsor: Sachi A. Hamai, Interim Chief Executive Officer

Description: The Chief Executive Office (CEO) is seeking Board approval of Amendment Two (Amendment) to Contract No. 77737 (Contract) with P&C Insurance Systems (PCIS) for software maintenance and application hosting services of the Workers' Compensation Claims Administration System (System) which would increase the Maximum Contract Sum by \$400,000 for a total Contract cost of \$3,285,232.

Contract Amount: \$3,285,232

Funding Source: Workers' Compensation Budget

☒ Legislative or Regulatory Mandate

☐ Subvened/Grant Funded:

Strategic and Business Analysis

PROJECT GOALS AND OBJECTIVES:




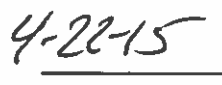
The CEO Risk Management Branch has a Project Charter for the migration to PCIS' ClaimsVision Workers' Compensation software. It contains the team members and their roles, the project's phases, milestones, possible risks, and mitigation plans.

BUSINESS DRIVERS:

The additional funding is required for interfacing the PCIS System with County's databases, including the Auditor-Controller's eCAPS financial system; and implement changes to the CEO Workers' Compensation Administration as a result of legal, mandated, and/or technical requirements.

	<p>PROJECT ORGANIZATION:</p> <p>The Project Charter contains a Project Steering Committee with Steven Robles of the CEO Risk Management Branch as the Committee's Project Executive Sponsor. The Project Charter also contains the governance structure, the project scope, risk mitigation plan, delivery milestones, and payment schedule.</p> <hr/> <p>PERFORMANCE METRICS:</p> <p>Project success will be determined by the successful construction of an interface from ClaimsVision solution to the County's eCAPS financial system for warrants, a successful migration of the Workers' Compensation data to ClaimsVision and the System becoming operational.</p> <hr/> <p>STRATEGIC AND BUSINESS ALIGNMENT:</p> <p>The completion of the interfaces and administrative modifications enables the ClaimsVision system to become operational while the CEO Risk Management Branch is completing a Request For Proposals (RFP) for a new comprehensive claims management functions across all functional areas, including Workers' Compensation and liability claims. It also enables the ClaimsVision system to comply with the CIO's Strategic Directions by utilizing an industry standard database and a modern user interface.</p> <hr/> <p>PROJECT APPROACH:</p> <p>PCIS is migrating its GenIris platform to ClaimsVision platform and will be testing the interface to eCAPS in parallel with the conversion.</p> <hr/> <p>ALTERNATIVES ANALYZED:</p> <p>None. The System is hosted and fully managed by PCIS.</p>
Technical Analysis	<p>ANALYSIS OF PROPOSED IT SOLUTION:</p> <p>PCIS hosts the CEO Risk Management Branch's County's Workers' Compensation software solution. PCIS is migrating the County's Workers' Compensation data from a discontinued software solution to a modern solution with a relational database and a modern user interface. County departments will also view Workers' Compensation claims within the solution to manage their return-to-work programs. The project will also reduce the Internal Services Department's (ISD) mainframe cost by eliminating a CEO Interface Application between the Workers' Compensation software and eCAPS financial system that reformats the data for warrant writing purposes. This will result in an annual savings of \$100,000 for the CEO Risk Management Branch.</p>

Financial Analysis	<p>BUDGET:</p> <p>Contract costs</p> <p>Base Contract hosting costs:</p> <table> <tr> <td>Base Year 1.....</td><td>\$ 668,300</td></tr> <tr> <td>Base Year 2.....</td><td>\$ 373,196</td></tr> <tr> <td>Base Year 3.....</td><td>\$ 378,188</td></tr> <tr> <td>Additional Services</td><td>\$ 100,000</td></tr> </table> <p>Ongoing annual hosting costs:</p> <table> <tr> <td>Option Year 1.....</td><td>\$ 483,288</td></tr> <tr> <td>Option Year 2</td><td>\$ 438,484</td></tr> <tr> <td>Option Year 3</td><td>\$ 443,776</td></tr> <tr> <td>Additional Services</td><td>\$ 400,000</td></tr> <tr> <td>Sub-total Contract Costs:...</td><td>\$ 3,285,232</td></tr> </table> <p>Other County costs:</p> <p>One-time costs:</p> <table> <tr> <td>County staff (net new).....</td><td>\$ 221,000</td></tr> <tr> <td>Sub-total one-time County costs:</td><td>\$ 221,000</td></tr> </table> <p>Ongoing annual costs:</p> <table> <tr> <td>County staff (existing).....</td><td>\$ 520,000</td></tr> <tr> <td>Sub-total ongoing County costs:</td><td>\$ 520,000</td></tr> </table> <p>Total one-time costs: \$ 221,000</p> <p>Total ongoing annual costs: \$ 520,000</p> <p>The total funding of \$3,285,232 for this Contract and Amendment is provided by the Workers' Compensation Budget. The CEO's Information Technology (IT) Branch has three staff members assigned to the PCIS solution for ongoing operational costs which total \$520,000. The project will require the CEO's IT Branch to reassign a staff member to the project for one-time implementation costs. Costs are billed to the Workers' Compensation Budget.</p>	Base Year 1.....	\$ 668,300	Base Year 2.....	\$ 373,196	Base Year 3.....	\$ 378,188	Additional Services	\$ 100,000	Option Year 1.....	\$ 483,288	Option Year 2	\$ 438,484	Option Year 3	\$ 443,776	Additional Services	\$ 400,000	Sub-total Contract Costs:...	\$ 3,285,232	County staff (net new).....	\$ 221,000	Sub-total one-time County costs:	\$ 221,000	County staff (existing).....	\$ 520,000	Sub-total ongoing County costs:	\$ 520,000
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Sub-total ongoing County costs:	\$ 520,000																										
Risk Analysis	<p>RISK MITIGATION:</p> <ol style="list-style-type: none"> 1. The risks for the project center around the availability of PCIS and County resources when needed for the project and scope creep. The project plans to monitor these closely. Risks and the remedies are documented in the Project Charter. 2. The Chief Information Security Officer (CISO) reviewed the Amendment and did not identify any IT security or privacy related issues. 																										

CIO Approval	PREPARED BY:		
		James R. Hall, Sr. Associate CIO	Date
	APPROVED:		
		Richard Sanchez, County Chief Information Officer	Date

Please contact the Office of the CIO (213.253.5600 or info@cio.lacounty.gov) for questions concerning this CIO Analysis. This document is also available online at <http://ciointranet.lacounty.gov/>

**WORKERS' COMPENSATION CLAIMS ADMINISTRATION SYSTEM
SOFTWARE MAINTENANCE AND APPLICATION HOSTING SERVICES**

AMENDMENT TWO

This Amendment Two (the "Amendment") to the Workers' Compensation Claims Third Party Administration Services, Contract No. 77737, is entered into this ____ day of ____, 2015 ("Effective Date") by and between the County of Los Angeles, a political subdivision of the State of California ("County") and P&C Claims, Inc. ("Contractor"), with reference to the following facts:

Recitals

WHEREAS, on March 1, 2012, the County entered into Contract No. 77737 with Contractor, for Workers' Compensation Claims Administration System Software Maintenance and Hosting Services;

WHEREAS, effective August 8, 2013, Contractor entered into an Agreement of Merger, with P&C Insurance Systems, Incorporated, resulting in a name change;

WHEREAS, the term of the Contract is three (3) years and three (3) one-year options to extend;

WHEREAS, effective March 1, 2015, the Contract is extended for the first of three (3) one-year options;

WHEREAS, the Maximum Contract Sum, approved by the Board, including all extensions is \$2,885,232;

WHEREAS, the Maximum Contract Sum includes a maximum of \$200,000 for system customization during the optional extension periods; and

WHEREAS, there have been and will continue to be unanticipated changes in Workers' Compensation procedures due to legal and mandated requirements or technical system requirements which requires extensive customization, and the maximum \$200,000 for customization is inadequate to cover such costs; and

NOW THEREFORE, in consideration of the mutual benefits derived therefrom, it is agreed between the parties that the Contract shall be amended as follows:

1. **This Amendment Two shall commence upon approval by the Board.**
2. **Wherever the name P&C Claims, Inc. appears in Contract No. 77737, it shall be amended and interpreted to read P&C Insurance Systems, Inc., or PCIS.**

3. **CONTRACT, SECTION 5.0, (CONTRACT SUM)**, shall be deleted in its entirety and replaced with the following:

5.0 CONTRACT SUM

- 5.1 The maximum Contract sum under the terms of this Contract shall be the total monetary amount payable by County to Contractor for the provision of Services specified herein in accordance with Exhibits B and B.1 (Payment Schedule) of this Contract. For the base term of the Contract, the period March 1, 2012 through February 28, 2015, the maximum Contract sum shall be \$1,519,684.00. If County exercises the option years, the costs shall be as set forth in Exhibits B and B.1 (Payment Schedule) of this Contract.
- 5.2 During the option years, the maximum cost for Optional Work shall be increased by \$400,000.00, for a maximum of \$600,000.00, as set forth in Exhibits B and B.1 (Payment Schedule) of this Contract. Such sums shall be used to cover costs of system modifications due to interface requirements with other County systems, unanticipated changes in Workers' Compensation laws, work procedures and for administration of County's mandated Medicare reporting requirements.
- 5.3 The Contractor shall not be entitled to payment or reimbursement for any tasks or services performed, nor for any incidental or administrative expenses whatsoever incurred in or incidental to performance hereunder, except as specified herein. Assumption or takeover of any of the Contractor's duties, responsibilities, or obligations, or performance of the same by any entity other than the Contractor, whether through assignment, subcontract, delegation, merger, buyout, or any other mechanism, with or without consideration for any reason whatsoever, shall only occur with the County's express prior written approval.
- 5.4 The Contractor shall maintain a system of record keeping that will allow the Contractor to determine when it has incurred seventy-five percent (75%) of the total contract authorization under this Contract. Upon occurrence of this event, the Contractor shall send written notification to the County at the address herein provided in Exhibit D (County's Administration).
- 5.5 **No Payment for Services Provided Following Expiration/Termination of Contract**

The Contractor shall have no claim against the County for payment of any money or reimbursement, of any kind whatsoever, for any service provided by the Contractor after the expiration or other termination of this Contract. Should the Contractor receive any such payment it shall

immediately notify County and shall immediately repay all such funds to County. Payment by County for services rendered after expiration/termination of this Contract shall not constitute a waiver of County's right to recover such payment from the Contractor. This provision shall survive the expiration or other termination of this Contract.

5.6 Invoices and Payments

- 5.6.1 Contractor shall invoice County only for providing the tasks, deliverables, goods, services, and other work specified in Exhibit A (Statement of Work) and elsewhere hereunder. Contractor shall prepare the invoices, which shall include the charges owed to the Contractor by County under the terms of this Contract. Contractor's payments shall be as provided in Exhibits B and B.1 (Payment Schedule), and the Contractor shall be paid only for the tasks, deliverables, goods, services, and other work approved in writing by the County. If County does not approve work in writing, no payment will be due to the Contractor for that work.
- 5.6.2 Contractor's invoices shall be priced in accordance with Exhibits B and B.1 (Payment Schedule).
- 5.6.3 The Contractor's invoices shall contain the information set forth in Exhibit A (Statement of Work) describing the tasks, deliverables, goods, services, work hours and facility and/or other work for which payment is claimed.
- 5.6.4 Contractor shall submit the monthly invoices to County by the fifteenth (15th) calendar day of the month following the month of service.
- 5.6.5 All invoices under this Contract shall be submitted in duplicate to the County Project Manager.
- 5.6.6 All invoices submitted by the Contractor for payment shall have the written approval of the County Project Director or designee prior to any payment thereof. In no event shall County be liable or responsible for any payment prior to such written approval. Approval for payment will not be unreasonably withheld, and in no instance will such approval take more than thirty (30) days from receipt of properly prepared invoices by County.
- 5.6.7 If this Contract is terminated by County for default pursuant to Subparagraph 8.42 (Termination for Default), then, without excusing such default, and without prejudice to any other rights of County in this Contract or as provided by law, Contractor shall be

entitled to receive payment for all work performed prior to the termination date and approved by County.

5.6.8 If termination by County for default is a result of failure by Contractor to achieve Deliverables as thereafter determined by County, as set forth in Exhibit A (Statement of Work), and such failure is not caused by an unreasonable delay or unreasonable lack of cooperation by County, then County shall be obligated to Contractor for the sums related to work performed and approved by County. The County's license to use the System shall remain in effect following the termination of this Contract.

5.7 Notwithstanding any other provision of this Contract, and in addition to the provisions of Subparagraph 5.5 (Invoices and Payments) and Attachment I (Performance Standards Requirements and Service Level Agreement) of Exhibit A (Statement of Work), and to any rights of County given by law or provided in this Contract, County may upon written notice to Contractor may withhold payment for any Deliverable or other services while Contractor is in default hereunder, or at any time that Contractor has not provided a County-approved Deliverable. This provision shall not be deemed to impair any claims that Contractor may have against County or Contractor's rights to assert such claims pursuant to Subparagraph 8.52 (Dispute Resolution Procedure), provided that such default or non-delivery is not caused by an unreasonable delay or unreasonable lack of cooperation by County.

4. STATEMENT OF WORK, SECTION 5.0 (Specific Work Requirements), Subparagraph 5.4, Optional Work, shall be added as follows:

5.4 Optional Work

Upon County's request and mutual approval pursuant to the terms of this Contract, Contractor shall provide Optional Work, including software enhancements, consisting of additional software and/or Customizations in the form of solution modifications and additional interfaces, professional services, consisting of consulting services and/or additional training, increased automation of the multiple interfaces required by the Worker's Compensation Program, which includes the Medicare mainframe data, and the development of a paperless claims administration environment at the applicable hourly rates set forth in Exhibit B (Payment Schedule). Such Optional Work shall be accomplished by means of a Work Order.

- 5. STATEMENT OF WORK, SECTION 8.0 (SECURITY),** shall be deleted in its entirety and replaced with the following:

8.0 SECURITY

Contractor shall provide County with documented proof of the program measures taken to safeguard County data housed by Contractor, including the security of the environment in which County data is imported and exported to and from Contractor. The proof document shall include the architectural design of the security program pursuant to the requirements of this Contract. Contractor shall comply with the requirements as referenced herein as shown in Exhibit K, Information Security Requirements.

6. **Exhibit B (PAYMENT SCHEDULE)** is supplemented by **Exhibit B.1** (attached hereto and incorporated herein by reference). All references to **Exhibit B** in the Contract shall be hereafter replaced by **Exhibits B and B.1**.
7. **EXHIBIT K (INFORMATION SECURITY REQUIREMENTS)** shall be attached hereto and incorporated herein by reference.
8. **Except for the changes set forth hereinabove, the Contract shall not be changed in any respect by this Amendment Two.**

[illegible]

IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment Two to be subscribed by its Interim Chief Executive Office or designee, and Contractor has caused this Amendment Two to be subscribed in its behalf by its duly authorized officer, the day, month, and year first above written

COUNTY OF LOS ANGELES

P&C INSURANCE SYSTEMS, INC.

By: _____
Mayor, Board of Supervisors

By: _____

Title: _____

Date: _____

ATTEST:

PATRICK OGAWA
Acting Executive Officer-Clerk
Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

MARK J. SALADINO
County Counsel

By: _____
Behnaz Tashakorian
Deputy County Counsel

**PAYMENT SCHEDULE
OPTION YEARS 1, 2 and 3**

SERVICE	COST (ANNUAL)
OPTIONAL WORK: For changes required for System programming, reporting, support services, increase in user licenses, and migration to next generation platform	\$600,000.00 ^A
OPTION YEAR 1 MAXIMUM COST	\$983,288.00^B
OPTION YEAR 2 MAXIMUM COST	\$388,484.00^C
OPTION YEAR 3 MAXIMUM COST	\$393,776.00^C

^A Maximum total aggregate expenditure for Option Years 1 through 3, includes \$100,000 originally allocated for Option Year 1 and \$50,000 each for Option Years 2 and 3 and additional \$400,000 needed for system modifications through February 2018.

^B Includes \$600,000 for optional work. It is anticipated that most of the modifications will occur during Option Year 1. Any unused funding for Optional Work will be carried over into Option Years 2 and 3.

^C Annual Contract cost less \$50,000 originally allocated for Optional Work.

EXHIBIT K**INFORMATION SECURITY REQUIREMENTS**

This sets forth information security procedures to be established by Contractor before the effective date of the Contract and maintained throughout the term of the Contract. These procedures are in addition to the requirements of the Contract between the Parties. They present a minimum standard only. However, it is Contractor's sole obligation to: (i) implement appropriate measures to secure its systems and data, including Personal Information and County Confidential Information, against internal and external threats and risks; and (ii) continuously review and revise those measures to address ongoing threats and risks. Failure to comply with the minimum standards set forth in this Exhibit K (Information Security Requirements) will constitute a material, non-curable breach of the Contract by Contractor, entitling County, in addition to and cumulative of all other remedies available to it at law, in equity, or under the Contract, to immediately terminate the Contract.

1. **Security Policy.** Contractor shall establish and maintain a formal, documented, mandated, company-wide information security program, including security policies, standards and procedures (collectively "**Information Security Policy**"). The Information Security Policy will be communicated to all Contractor personnel in a relevant, accessible, and understandable form and will be regularly reviewed and evaluated to ensure its operational effectiveness, compliance with all applicable laws and regulations, and to address new threats and risks.
2. **Personnel and Contractor Protections.** Contractor shall screen and conduct background checks on all Contractor personnel contacting County Confidential Information, including Personally Identifiable Information, for potential security risks and requires all employees and contractors to sign an appropriate written confidentiality/non-disclosure agreement. All agreements with third-parties involving access to Contractor's systems and data, including all outsourcing arrangements and maintenance and support agreements (including facilities maintenance), shall specifically address security risks, controls, and procedures for information systems. Contractor shall supply each of its Contractor personnel with appropriate, ongoing training regarding information security procedures, risks, and threats. Contractor shall have an established set of procedures to ensure Contractor personnel promptly report actual and/or suspected breaches of security.
3. **Removable Media.** Except in the context of Contractor's routine back-ups or as otherwise specifically authorized by County in writing, Contractor shall institute strict physical and logical security controls to prevent transfer of Personally Identifiable Information to any form of Removable Media. For purposes of this Exhibit K (Information Security Requirements), "Removable Media" means portable or removable hard disks, floppy disks, USB memory drives, zip disks, optical disks, CDs, DVDs, digital film, digital cameras, memory cards (e.g., Secure Digital (SD), Memory Sticks (MS), CompactFlash (CF), SmartMedia (SM), MultiMediaCard (MMC), and xD-Picture Card (xD)), magnetic tape, and all other removable data storage media.
4. **Data Control; Media Disposal and Servicing.** Personally Identifiable Information and County Confidential Information: (i) may only be made available and accessible to those parties explicitly authorized under the Contract or otherwise expressly approved by County in writing; (ii) if transferred across the Internet, any wireless network (e.g., cellular, 802.11x, or similar technology), or other public or shared networks, must be protected using appropriate

encryption technology as designated or approved by County in writing; and (iii) if transferred using Removable Media (as defined above) must be sent via a bonded courier or protected using encryption technology designated or approved by County in writing. The foregoing requirements shall apply to back-up data stored by Contractor at off-site facilities. In the event any hardware, storage media, or Removable Media must be disposed of or sent off-site for servicing, Contractor shall ensure all County Confidential Information, including Personally Identifiable Information, has been cleared, purged, or scrubbed from such hardware and/or media using industry best practices (e.g., NIST Special Publication 800-88, Guidelines for Media Sanitization¹).

6. **Hardware Return.** Upon termination or expiration of the Contract or at any time upon County's request, Contractor will return all hardware, if any, provided by County containing Personally Identifiable Information or County Confidential Information to County. The Personally Identifiable Information and County Confidential Information shall not be removed or altered in any way. The hardware should be physically sealed and returned via a bonded courier or as otherwise directed by County. In the event the hardware containing County Confidential Information or Personally Identifiable Information is owned by Contractor or a third-party, a notarized statement, detailing the destruction method used and the data sets involved, the date of destruction, and the company or individual who performed the destruction will be sent to a designated County security representative within fifteen (15) days of termination or expiration of the Contract or at any time upon County's request. Contractor's destruction or erasure of Personally Identifiable Information pursuant to this Section shall be in compliance with industry Best Practices (e.g., NIST Special Publication 800-88, Guidelines for Media Sanitization²).
7. **Physical and Environmental Security.** Contractor facilities that process Personally Identifiable Information or County Confidential Information will be housed in secure areas and protected by perimeter security such as barrier access controls (e.g., the use of guards and entry badges) that provide a physically secure environment from unauthorized access, damage, and interference.
8. **Communications and Operational Management.** Contractor shall: (i) monitor and manage all of its information processing facilities, including, without limitation, implementing operational procedures, change management and incident response procedures; and (ii) deploy adequate anti-viral software and adequate back-up facilities to ensure essential business information can be promptly recovered in the event of a disaster or media failure; and (iii) ensure its operating procedures will be adequately documented and designed to protect information, computer media, and data from theft and unauthorized access.
9. **Access Control.** Contractor shall implement formal procedures to control access to its systems, services, and data, including, but not limited to, user account management procedures and the following controls:
 - a. Network access to both internal and external networked services shall be controlled, including, but not limited to, the use of properly configured firewalls;

¹ Available at <http://www.csrc.nist.gov/>

² Available at <http://www.csrc.nist.gov/>

- b. Operating systems will be used to enforce access controls to computer resources including, but not limited to, authentication, authorization, and event logging;
 - c. Applications will include access control to limit user access to information and application system functions; and
 - d. All systems will be monitored to detect deviation from access control policies and identify suspicious activity. Contractor shall record, review and act upon all events in accordance with incident response policies set forth below.
10. **Security Incident.** A "Security Incident" shall have the meaning given to such term in 45 C.F.R. § 164.304.
- a. Contractor will promptly notify (but in no event more than twenty-four (24) hours after the detection of a Security Incident) the designated County security contact by telephone and subsequently via written letter of any potential or actual security attacks or Security Incidents.
 - b. The notice shall include the approximate date and time of the occurrence and a summary of the relevant facts, including a description of measures being taken to address the occurrence. A Security Incident includes instances in which internal personnel access systems in excess of their user rights or use the systems inappropriately.
 - c. Contractor will provide a monthly report of all Security Incidents noting the actions taken. This will be provided via a written letter to the County security representative on or before the first (1st) week of each calendar month. County or its third-party designee may, but is not obligated, perform audits and security tests of Contractor's environment that may include, but are not limited to, interviews of relevant personnel, review of documentation, or technical inspection of systems, as they relate to the receipt, maintenance, use, retention, and authorized destruction of Personally Identifiable Information and County Confidential Information.
 - d. In the event County desires to conduct an unannounced penetration test, County shall provide contemporaneous notice to Contractor's Vice President of Audit, or such equivalent position. Any of County's regulators shall have the same right upon request. Contractor shall provide all information reasonably requested by County in connection with any such audits and shall provide reasonable access and assistance to County or its regulators upon request. Contractor agrees to comply with all reasonable recommendations that result from such inspections, tests, and audits within reasonable timeframes. County reserves the right to view, upon request, any original security reports that Contractor has undertaken on its behalf to assess Contractor's own network security. If requested, copies of these reports will be sent via bonded courier to the County security contact. Contractor will notify County of any new assessments.
11. **Contractor Self Audit.** Contractor will provide to County a summary of: (1) the results of any security audits, security reviews, or other relevant audits listed below, conducted by Contractor or a third-party; and (2) the corrective actions or modifications, if any, Contractor will implement in response to such audits.

Relevant audits conducted by Contractor as of the Effective Date include:

- a. ISO 27001:2013 (Information Security Management) or FDA's Quality System Regulation, etc. – Contractor-Wide. A full recertification is conducted every three (3) years with surveillance audits annually.
 - (i) **External Audit** – Audit conducted by non-Contractor personnel, to assess Contractor's level of compliance to applicable regulations, standards, and contractual requirements.
 - (ii) **Internal Audit** – Audit conducted by qualified Contractor Personnel (or contracted designee) not responsible for the area of review, of Contractor organizations, operations, processes, and procedures, to assess compliance to and effectiveness of Contractor's Quality System ("CQS") in support of applicable regulations, standards, and requirements.
 - (iii) **Supplier Audit** – Quality audit conducted by qualified Contractor Personnel (or contracted designee) of product and service suppliers contracted by Contractor for internal or Contractor client use.
 - (iv) **Detailed findings**- are not published externally, but a summary of the report findings, and corrective actions, if any, will be made available to County as provided above and the ISO certificate is published on [REDACTED].
- b. SSAE-16 (formerly known as SAS -70 II) – As to the Hosting Services only:
 - (i) Audit spans a full twelve (12) months of operation and is produced every six (6) months (end of June, end of December) to keep it "fresh."
 - (ii) The resulting detailed report is available to County.

Detailed findings are not published externally, but a summary of the report findings, and corrective actions, if any, will be made available to County as provided above.

12. **Security Audits.** In addition to the audits described in Section 11 (Contractor Self Audit), during the term of this Contract, County or its third-party designee may annually, or more frequently as agreed in writing by the Parties, request a security audit of Contractor's data center and systems. The audit will take place at a time mutually agreed to by the Parties, but in no event on a date more than ninety (90) days from the date of the request by County. County's request for security audit will specify the areas (e.g., Administrative, Physical and Technical) that are subject to the audit and may include but not limited to physical controls inspection, process reviews, policy reviews evidence of external and internal vulnerability scans, penetration tests results, evidence of code reviews, and evidence of system configuration and audit log reviews. County shall pay for all third-party costs associated with the audit. It is understood that summary data of the results may filtered to remove the specific information of other Contractor customers such as IP address, server names, etc.. Contractor shall cooperate with County in the development of the scope and methodology for the audit, and the timing and implementation of the audit. Any of the County's regulators shall have the same right upon request, to request an audit as described above. Contractor agrees to comply with all reasonable recommendations that result from such inspections, tests, and audits within reasonable timeframes.

13. **Confidentiality**

- a. Contractor agrees that all information supplied by its affiliates and agents to the County including, without limitation, (a) any information relating to County's customers, patients,

business partners, or personnel; and (b) Personally Identifiable Information (as defined below) will be deemed confidential and proprietary to the County, regardless of whether such information was disclosed intentionally or unintentionally or marked as "confidential" or "proprietary" ("Confidential Information"). To be deemed "Confidential Information", trade secrets and mask works must be plainly and prominently marked with restrictive legends.

b. **County Data.** All of the County Confidential Information, data, records, and information of County to which Contractor has access, or otherwise provided to Contractor under this Contract ("County Data"), shall be and remain the property of County and County shall retain exclusive rights and ownership thereto. The County Data shall not be used by Contractor for any purpose other than as required under this Contract, nor shall such data or any part of such data be disclosed, sold, assigned, leased, or otherwise disposed of to third-parties by Contractor or commercially exploited or otherwise used by or on behalf of Contractor, its officers, directors, employees, or agents.

c. **Personally Identifiable Information.** "Personally Identifiable Information" shall mean any information that identifies a person, including, but not limited to, name, address, email address, passwords, account numbers, social security numbers, credit card information, personal financial or healthcare information, personal preferences, demographic data, marketing data, credit data, or any other identification data. For the avoidance of doubt, Personally Identifiable Information shall include, but not be limited to, all "nonpublic personal information," as defined under the Gramm-Leach-Bliley Act (15 United States Code ("U.S.C.") §6801 et seq.), Protected Health Information, and "Personally Identifiable Information" as that term is defined in EU Data Protection Directive (Directive 95/46/EEC) on the protection of individuals with regard to processing of personal data and the free movement of such data.

i. **Personally Identifiable Information.** In connection with this Contract and performance of the services, Contractor may be provided or obtain, from County or otherwise, Personally Identifiable Information pertaining to County's current and prospective personnel, directors and officers, agents, investors, patients, and customers and may need to process such Personally Identifiable Information and/or transfer it, all subject to the restrictions set forth in this Contract and otherwise in compliance with all applicable foreign and domestic laws and regulations for the sole purpose of performing the services.

ii. **Treatment of Personally Identifiable Information.** Without limiting any other warranty or obligations specified in this Contract, and in particular the confidential provisions of Section 13 (Confidentiality), during the term of this Contract and thereafter in perpetuity, Contractor will not gather, store, log, archive, use, or otherwise retain any Personally Identifiable Information in any manner and will not disclose, distribute, sell, share, rent, or otherwise retain any Personally Identifiable Information to any third-party, except as expressly required to perform its obligations in this Contract or as Contractor may be expressly directed in advance in writing by County. Contractor represents and warrants that Contractor will use and process Personally Identifiable Information only in compliance with (a) this Contract, (b) County's then current privacy policy, and (c) all applicable local, state, and federal laws and regulations (including, but not limited to, current and future laws and regulations relating to spamming, privacy, confidentiality, data security, and consumer protection).

iii. **Retention of Personally Identifiable Information.** Contractor will not retain any Personally Identifiable Information for any period longer than necessary for Contractor to fulfill its obligations under this Contract. As soon as Contractor no longer needs to retain such Personally Identifiable Information in order to perform its duties under this Contract, Contractor will promptly return or destroy or erase all originals and copies of such Personally Identifiable Information.

d. **Return of Confidential Information.** On County's written request or upon expiration or termination of this Contract for any reason, Contractor will promptly: (a) return or destroy, at County's option, all originals and copies of all documents and materials it has received containing County's Confidential Information; (b) if return or destruction is not permissible under applicable law, continue to protect such information in accordance with the terms of this Contract; and (c) deliver or destroy, at County's option, all originals and copies of all summaries, records, descriptions, modifications, negatives, drawings, adoptions and other documents or materials, whether in writing or in machine-readable form, prepared by Contractor, prepared under its direction, or at its request, from the documents and materials referred to in Subsection 13(a), and provide a notarized written statement to County certifying that all documents and materials referred to in Subsections 13(a) and (b) have been delivered to County or destroyed, as requested by County.